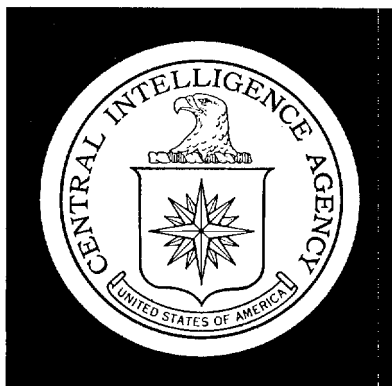


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21 November 1970

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No. 0279/70
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SOUTH VIETNAM: The Communists hope to step up their military action by late November or early December, but a full-scale offensive is unlikely.

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As the dry season campaign unfolds, the main enemy effort will most likely support the rebuilding of grass-roots assets. Attacks are likely to be concentrated against the allied pacification program, which the Communists acknowledge is impeding their efforts to maintain a hold on the population in many areas. The current pattern of terrorism and harassment shellings, with occasional ground forays against government outposts, is likely to persist.

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COMMUNIST CHINA - UN: Yesterday's General Assembly vote on the China representation issue almost certainly writes finis to the status quo on this question.

The erosion of support for Taiwan as the sole representative of China in the UN over the past six months, which has occurred largely as a result of China's more "reasonable" diplomatic posture, is likely to continue in the coming year and to gain additional impetus as a result of yesterday's 51-49 vote in favor of seating Peking at the expense of Taipei.

More important, however, is the decline of support for the Important Question issue, which makes any change in China's representation dependent on two-thirds vote of the assembly. Yesterday's 66-52 vote is a drop from last year's vote of 71-48, but even this result was achieved because a number of nations had made an early commitment to vote "yes." Several states may be most reluctant to repeat this vote next year, since it appears to "frustrate the will of the majority;" some have already indicated that they expect to change their position.

Peking can be expected to press very hard in the coming year to counter widespread sentiment for a "two Chinas" solution to the representation issue. Its recent public and private statements suggest that it is extremely sensitive on this matter and that it fears that a number of states presently supporting the "Albanian" resolution will line up in the future behind a resolution calling for the seating of both Peking and Taipei.

The Chinese Communists are certain to stress that such a "solution" would not result in bringing Peking into the UN, since it would refuse to take its seat if Taipei were also represented. However,

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even in the unlikely event that a "two Chinas" resolution carried in next year's assembly, the Nationalist Chinese might well simply withdraw from the world body--thus permitting Peking to enter on its own terms.

In a broader sense yesterday's vote was clearly a blow to Nationalist Chinese prestige. Peking will attempt to exploit its advantage to the hilt, further undermining Taipei's diplomatic position both in the UN and in the world community. One obvious line of attack would be to encourage further diplomatic recognitions of the Peking regime at the expense of Taipei--a movement that will also be facilitated by yesterday's vote.

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ITALY: The overall balance-of-payments deficit this year will be far less than the record \$1.4 billion of 1969.

A sizable payments surplus in September has reduced the deficit to a modest \$241 million for the first three quarters of 1970. This tends to confirm recent forecasts by the Bank of Italy that the deficit this year would be only \$160 million.

The improved outlook for the balance of payments derives largely from curbing excessive net capital outflows. Increased borrowing abroad by state enterprises and credit institutions, controls on the conversion of illegally exported banknotes, and changed interest rate policy have been instrumental in cutting net capital outflows.

In addition, the decline in the current account surplus has slowed somewhat. Prior to September widespread strike activity cut into industrial production and inhibited export growth. At the same time rising incomes were stimulating imports. Government moves to appease labor's demand for social reform, however, have gotten production moving again and exports are now picking up.

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TUNISIA: Restive students went out on strike at the University of Tunis on Thursday.

The students had been in a rebellious mood for some days because of a recently imposed policy of excluding those who fail their examinations for two consecutive years. Threatening to strike, they seized on a minor issue--the relocation of a bus stop--to demonstrate and clash with the police. The subsequent arrest of some 30 students, several of whom were detained, actually triggered the strike.

The strike apparently lacks organization; left-ist elements at the university did not seem to be exploiting it. Moreover, normally sympathetic faculty members were not in accord with the students in this instance. The Ministry of Education has taken no action to persuade the students to return to class, but was prepared to close the university should the strike continue. [REDACTED]

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HUNGARY-USSR: Soviet party boss Brezhnev's attendance at the Hungarians' tenth party congress will be used by first secretary Kadar to demonstrate his continuing good relations with the Soviets. Brezhnev left Moscow for Budapest yesterday without prior announcement and presumably will have ample opportunity to consult with Hungarian leaders before the congress opens on Monday. Brezhnev's expected personal support for the Hungarian leader will be read by Hungarians and others as tacit endorsement of Kadar's domestic program. There has been unusually strong criticism by party conservatives and by East Germany's ideologists of certain reformist aspects of the program, but this is unlikely to continue at the congress with Brezhnev present. [REDACTED]

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PAKISTAN: The cyclone that devastated the coastal area of East Pakistan resulted in an estimated loss of one to one and a half million tons of milled rice, over ten percent of its total annual production. The immediate problem is the distribution of foodgrains to the disaster victims. In addition, the present relief stocks of about 400,000 tons will not last long. During the current fiscal year, the East's rice production is expected to fall short of the needs of its 73 million people by an estimated three million tons, almost double last year's record food deficit. West Pakistan can supply the East with only 600,000 tons of wheat and the remaining 2.4 million tons will have to be imported. [REDACTED]

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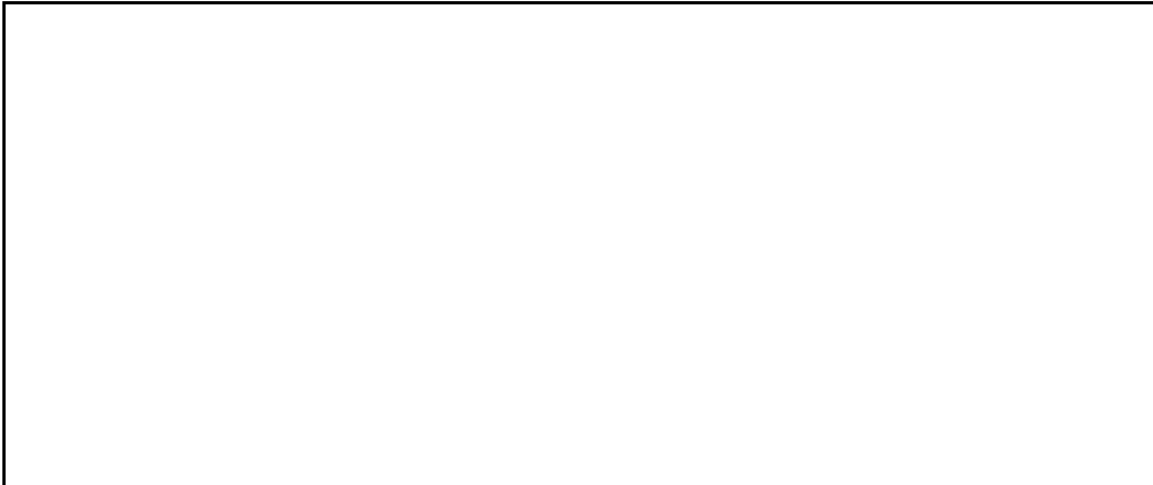
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ZAMBIA: The ruling United National Independence Party, Zambia's only important political organization, last week adopted a new constitution that strengthens President Kaunda's personal control. The new constitution is intended to enable Kaunda to resolve controversial issues, defuse serious factionalism, and tighten party discipline. It will also strengthen his hand in developing and managing party and governmental policies leading to a highly centralized state. Kaunda particularly wants to push wide-ranging economic and social programs and to guard against subversion directed from white southern Africa. [REDACTED]

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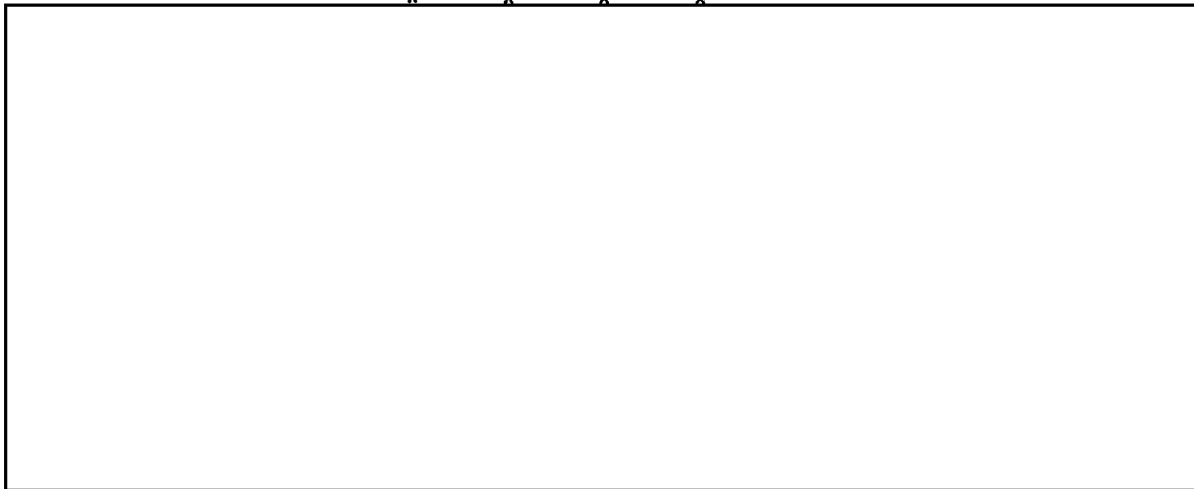
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BAHAMAS: Prime Minister Pindling survived a vote of "no confidence" on Thursday by a margin of 19 to 15. The vote was a setback for the dissident faction of the Progressive Liberal Party led by former minister of education Wallace-Whitfield. Pindling's narrow victory could prove short-lived, however, because opposition forces continue to maneuver within the party to get enough votes to oust him. The current political difficulties have been intensified by the introduction of physical violence. Wallace-Whitfield and several of his supporters were assaulted at a political rally last weekend, allegedly by Pindling supporters. [REDACTED]

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GUATEMALA: The government has scored some recent successes in its campaign against the terrorists. Security forces arrested one of the top leaders of the pro-Castro Rebel Armed Forces (FAR) and killed another who participated in the assassination of the US ambassador in 1968. If the government can maintain pressure on the FAR by rounding up other key terrorists within the next few days, it will have justified its imposition of a state of siege and have gained a notable political victory. There is the danger, however, that the FAR will retaliate with attacks on US or other foreign diplomats. [REDACTED]

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